
SENATE BILL 7902

State of Washington

55th Legislature

1997 Regular Session

By Senators Hale, Bauer, McDonald, Haugen, Sellar, Prentice, McCaslin, Rasmussen, West, Newhouse, Heavey, Swecker, Hargrove, Fraser, Johnson, Morton, Patterson, Rossi, Kline, Anderson, Jacobsen, Strannigan, Prince, Finkbeiner, Oke, Winsley, Long, Stevens, Horn, Benton, Schow, Wood, Roach, Deccio, Zarelli and Goings

Read first time 02/10/97 (Introduced with House Sponsors). Referred to Committee on Ways & Means.

1 AN ACT Relating to lowering business and occupation tax rates;
2 amending RCW 82.04.255, 82.04.290, and 82.04.293; creating a new
3 section; repealing RCW 82.04.055; providing an effective date; and
4 declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 82.04.255 and 1996 c 1 s 1 are each amended to read as
7 follows:

8 Upon every person engaging within the state as a real estate
9 broker; as to such persons, the amount of the tax with respect to such
10 business shall be equal to the gross income of the business, multiplied
11 by the rate of ((1.75)) 1.5 percent.

12 The measure of the tax on real estate commissions earned by the
13 real estate broker shall be the gross commission earned by the
14 particular real estate brokerage office including that portion of the
15 commission paid to salesmen or associate brokers in the same office on
16 a particular transaction: PROVIDED, HOWEVER, That where a real estate
17 commission is divided between an originating brokerage office and a
18 cooperating brokerage office on a particular transaction, each
19 brokerage office shall pay the tax only upon their respective shares of

1 said commission: AND PROVIDED FURTHER, That where the brokerage office
2 has paid the tax as provided herein, salesmen or associate brokers
3 within the same brokerage office shall not be required to pay a similar
4 tax upon the same transaction.

5 **Sec. 2.** RCW 82.04.290 and 1996 c 1 s 2 are each amended to read as
6 follows:

7 ~~(1) ((Upon every person engaging within this state in the business
8 of providing selected business services other than or in addition to
9 those enumerated in RCW 82.04.250 or 82.04.270; as to such persons the
10 amount of tax on account of such activities shall be equal to the gross
11 income of the business multiplied by the rate of 2.0 percent.~~

12 ~~(2) Upon every person engaging within this state in banking, loan,
13 security, investment management, investment advisory, or other
14 financial businesses, other than or in addition to those enumerated in
15 subsection (3) of this section; as to such persons, the amount of the
16 tax with respect to such business shall be equal to the gross income of
17 the business, multiplied by the rate of 1.6 percent.~~

18 ~~(3))~~ Upon every person engaging within this state in the business
19 of providing international investment management services, as to such
20 persons, the amount of tax with respect to such business shall be equal
21 to the gross income or gross proceeds of sales of the business
22 multiplied by a rate of 0.275 percent.

23 ~~((4))~~ (2) Upon every person engaging within this state in any
24 business activity other than or in addition to those enumerated in RCW
25 82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270, and
26 82.04.280, and subsection ~~((s))~~ (1) ~~((, (2), and (3)))~~ of this section;
27 as to such persons the amount of tax on account of such activities
28 shall be equal to the gross income of the business multiplied by the
29 rate of ~~((1.75))~~ 1.5 percent.

30 This section includes, among others, and without limiting the scope
31 hereof (whether or not title to materials used in the performance of
32 such business passes to another by accession, confusion or other than
33 by outright sale), persons engaged in the business of rendering any
34 type of service which does not constitute a "sale at retail" or a "sale
35 at wholesale." The value of advertising, demonstration, and
36 promotional supplies and materials furnished to an agent by his
37 principal or supplier to be used for informational, educational and
38 promotional purposes shall not be considered a part of the agent's

1 remuneration or commission and shall not be subject to taxation under
2 this section.

3 **Sec. 3.** RCW 82.04.293 and 1995 c 229 s 1 are each amended to read
4 as follows:

5 For purposes of RCW 82.04.290(~~(+3)~~):

6 (1) A person is engaged in the business of providing international
7 investment management services, if:

8 (a) Such person is engaged primarily in the business of providing
9 investment management services; and

10 (b) At least ten percent of the gross income of such person is
11 derived from providing investment management services to any of the
12 following: (i) Persons or collective investment funds residing outside
13 the United States; or (ii) persons or collective investment funds with
14 at least ten percent of their investments located outside the United
15 States.

16 (2) "Investment management services" means investment research,
17 investment consulting, portfolio management, fund administration, fund
18 distribution, investment transactions, or related investment services.

19 (3) "Collective investment fund" includes:

20 (a) A mutual fund or other regulated investment company, as defined
21 in section 851(a) of the internal revenue code of 1986, as amended;

22 (b) An "investment company," as that term is used in section 3(a)
23 of the investment company act of 1940, as well as any entity that would
24 be an investment company for this purpose but for the exemptions
25 contained in section 3(c)(1) or (11);

26 (c) An "employee benefit plan," which includes any plan, trust,
27 commingled employee benefit trust, or custodial arrangement that is
28 subject to the employee retirement income security act of 1974, as
29 amended, 29 U.S.C. Sec. 1001 et seq., or that is described in sections
30 125, 401, 403, 408, 457, and 501(c)(9) and (17) through (23) of the
31 internal revenue code of 1986, as amended, or a similar plan maintained
32 by a state or local government, or a plan, trust, or custodial
33 arrangement established to self-insure benefits required by federal,
34 state, or local law;

35 (d) A fund maintained by a tax-exempt organization, as defined in
36 section 501(c)(3) of the internal revenue code of 1986, as amended, for
37 operating, quasi-endowment, or endowment purposes;

1 (e) Funds that are established for the benefit of such tax-exempt
2 organizations, such as charitable remainder trusts, charitable lead
3 trusts, charitable annuity trusts, or other similar trusts; or

4 (f) Collective investment funds similar to those described in (a)
5 through (e) of this subsection created under the laws of a foreign
6 jurisdiction.

7 (4) Investments are located outside the United States if the
8 underlying assets in which the investment constitutes a beneficial
9 interest reside or are created, issued or held outside the United
10 States.

11 NEW SECTION. **Sec. 4.** RCW 82.04.055 and 1993 sp.s. c 25 s 201 are
12 each repealed.

13 NEW SECTION. **Sec. 5.** This act does not affect any existing right
14 acquired or liability or obligation incurred under the sections amended
15 or repealed in this act or under any rule or order adopted under those
16 sections, nor does it affect any proceeding instituted under those
17 sections.

18 NEW SECTION. **Sec. 6.** This act is necessary for the immediate
19 preservation of the public peace, health, or safety, or support of the
20 state government and its existing public institutions, and takes effect
21 July 1, 1997.

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